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SUBJECT: SWAZILAND FISCAL TRANSPARENCY 2010 REVIEW

REF: STATE 001923

¶1. (SBU) This cable responds to reftel's request regarding information on Swaziland's fiscal transparency and USG FY2010 assistance.

¶2. (SBU) Under the FY 2010 SFOAA, Swaziland is allocated \$100,000 in IMET funding, which is not provided directly to the Ministry of Defense but pays for expenses related to a variety of training programs for the Umbutfo Swaziland Defense Force personnel. Additional funding is utilized for training security officers at the USG-funded International Law Enforcement Agency (ILEA) in Gaborone. The USG President's Emergency Program for AIDS Relief (PEPFAR) has allocated 28.8 million USD to Swaziland for FY 2010 programming to fight the highest incidence of HIV/AIDS incidence in the world. This funding overwhelmingly goes to non-governmental partners, but includes some assistance to the Ministry of Health and the National Emergency Response Council on HIV/AIDS (NERCHA), primarily in the area of human resources and management. Public Affairs exchange programs include some persons in government positions. Other limited USG funding goes to small community organizations for self-help projects, local schools for scholarships, and non-governmental organizations for projects from water retention and agricultural self-sustainability to civic education, rule of law and good governance, which has included building the capacity of parliament to analyze legislation and respond to its constituents.

¶3. (SBU) The government of Swaziland (GKOS) makes its annual budget publicly available in book form, as well as supplemental budget documents. These documents are not provided online.

¶4. (SBU) Incomes and expenditures are included in the publicly-available budget. The GKOS held a series of public stakeholder meetings to respond to questions about both the annual budget and mid-year budget policy review.

¶5. (SBU) The published budget is meaningful and details revenues and most expenditures, although challenges remain within sections of the budget to discern which might be royal expenditures.

¶6. (SBU) Expenditures on the royal family fall under three main budget sections, or "heads" in Swazi budget terms: 1) Head 01 - Statutory Expenditure, which includes salaries; 2) Head 51 - Swazi National Treasury, which includes payments for the traditional courts and advisory committees; and 3) Head 60 - Central Transfers, which includes funds for the upkeep of the royal residences. Payments for royal travel generally fall under the Ministry of Foreign Affairs section of the budget. The royalty also has enormous "private" wealth from ownership in numerous parastatals and corporations, investments, and income from land holdings. When the king's advisors are asked about lavish expenditures, the common response (except for obviously state-related events) is that the king pays for them from his private holdings.

¶7. (SBU) When discussing the budget with Post, Finance Ministry Principal Secretary Dumisani Masilela stated that reviewing Swazi National Treasury monies is not a core government function, and that it is unclear how the king's office uses this money. Internal

budget discussions on the Swazi National Treasury section are brief and vague when setting budget limits and expenditures. The 2009/10 budget estimate for the Swazi National Treasury was 99,248,000 emalangenani (13,233,066 USD).

18. (SBU) Supplemental budgets, generally passed at the end of the fiscal year, primarily serve to reallocate funds among ministries that had money left over and those who had overspent, but also to reflect increases in expenditures on items such as royal travel. Such publicly-available supplemental budgets make analysis of the initial budget more challenging, but do not pose insurmountable problems regarding the budget's transparency.

19. (SBU) Since the 2009 review, Southern African Customs Union (SACU) receipts, which accounted for approximately 60 percent of government's revenue, have dropped dramatically. For FY 2010, Swaziland's receipts were cut from 6 billion emalangenani (800 million USD) to 1.9 billion emalangenani (253 million USD), due to losses in customs revenue and Swaziland's obligation to repay overpayments by SACU in previous years. The resulting budget gap has caused government to review expenditures with greater scrutiny, reduce current year budgets, and focus more attention on auditing.

110. (SBU) The Finance Ministry has put forward two bills that would increase transparency in procurement and public finance. A procurement bill, currently before cabinet, would provide necessary reform to government's procurement system. The Public Finance Management Act would update a 1967 law and impose more reporting requirements on the ministries, as well as yearly strategic plans.

111. (SBU) Anti-corruption efforts by GKOS have intensified over the past year. The Anti-Corruption Commission, which was created in

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2006 but has only had a commissioner since March 2008, reported an increase in the number and quality of cases reported to the Anti-Corruption Commission, largely due to news of corruption arrests and reports. A media campaign to sensitize the public to the Commission's work and encourage the citizenry to report cases is currently underway. The Commission has not been able to bring a case to court yet.

112. (SBU) Embassy Mbabane will continue to work directly with the Government of the Kingdom of Swaziland (GKOS) to promote improvements in fiscal transparency, more fully implement transparency and anti-corruption tools it currently possesses, and engage the king's office to provide greater transparency in the area of expenditures on the royal family. Embassy Mbabane intends to:

- Utilize contacts within the Finance Ministry, Economic Planning and Development Ministry, Foreign Ministry, and Anti-Corruption Commission to educate GKOS on the need to address fiscal transparency as a way to combat misuse of funds, improve its budget, and empower its citizenry, as well as avoid the possibility of losing USG development assistance.
- Urge the GKOS to respond meaningfully to the findings of the annual Auditor General's reports and the parliamentary Public Accounts Committee's (PAC) findings;
- Support GKOS efforts to combat corruption through its Anti-Corruption Commission (ACC) and public education program (PEP), and to start prosecutions of corruption cases. Reigning in corruption will have a significant benefit to fiscal transparency and accountability.
- Encourage the GKOS to institute an end-of-year outreach program to inform civil society on the state of its budget expenditures after passage of supplemental budgets, and motivate civil society groups to focus on the budget in their activities and discussions with government.
- Engage the king's office to consider itemizing more of the expenses associated with the Swazi National Treasury.
- Continue implementation of the 2009 PEPFAR Partnership Framework,

which outlines areas of collaboration in regard to Swaziland's response to HIV/AIDS from 2009-2013, in order to support greater transparency in health expenditures. Through this Partnership, the PEPFAR team will continue to engage the Ministry of Health, NERCHA, other donors and stakeholders to coordinate resource allocations, eliminate duplication, and increase transparency in the use of funds to combat HIV/AIDS.

¶13. (U) Post will inform the GKOS and the king's office that future development assistance from the United States is at risk if they do not take concerted steps to increase transparency, and that post personnel are available to assist in the process.

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